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ACTION MEMORANDUM

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TO: The Secretary

FROM: S/NP - Mr. Richard Kennedy

SUBJECT: IAEA Reassessment

ISSUES FOR DECISION

Whether to resume participation in IAEA activities and at what level. When to contribute funds for 1982 and 1983. These decisions are necessary in connection with preparations for US participation in the February meeting of the IAEA Board of Governors.

ESSENTIAL FACTORS

An Interagency Group (representing State, DOE, DOD, Commerce, ACDA, NSC, OMB, CIA and NRC) was established shortly after the United States withdrew from the IAEA General Conference in September. It has been reassessing US policy regarding participation in the IAEA.

The IG is unanimous in the belief that the IAEA contributes significantly to US national security interests because of its role in helping to prevent the spread of nuclear weapons. The IG believes that it is essential for the US to participate in the IAEA as long as we judge that body capable of carrying out its safeguards functions effectively. We plan, however, to study alternatives to the IAEA should we decide in the future that the IAEA can no longer perform its functions to our satisfaction. Therefore, the IG recommends that the US resume participation in IAEA activities and that an announcement in some form should be made to that effect by mid-January. Ambassadors Kirkpatrick and Kirk concur in this recommendation.

The IG produced a strategy paper (attached at Tab __) which lays out a short term strategy for achieving our three primary objectives: (1) the right of all member states to participate in all IAEA activities, (2) strictly adhering to the IAEA Statute, and (3) reducing divisive controversy and bloc confrontation. In addition, we will need to address the specific problems of Israeli and South African participation in the IAEA, of strengthening the IAEA's safeguards system, and of convincing the G-77 that the US is contributing more than its share in the non-safeguards areas.

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DECL: OADR

A number of key IAEA members have told us they will join in efforts toward achieving our short term objectives, the Secretariat and the Director-General appreciate the seriousness of our concerns, and some G-77 moderates seem to be willing to cooperate in keeping the IAEA as a technical agency in which all members have the right to participate equally. Success in Nairobi at the ITU and in New York at the UNGA since September has further strengthened our position. Your strong statement on October 14 threatening to withhold financial contributions to any UN agency denying Israel the right to participate was most helpful in this effort. In announcing that we have decided to resume participation, we would make it clear that we will keep developments in the IAEA under close review and that future US participation will depend on those developments. We would tailor our announcement to reflect the option chosen below on the level of resumed participation.

The advantage of resuming participation is that we can begin fighting from within to achieve our objectives. Participation in the February Board of Governors meeting, for example, would allow us to speak out strongly on those issues of importance to us, such as rights of membership and safeguards, as well as allow us to cast our vote. It would reassure our allies, friends and others (the Soviet Union) that want us back in. It would show the Secretariat and the rest of the membership that we mean business while at the same time we are willing to try to work with the members on a reasonable basis.

There is not complete agreement, however, within the IG as to how we should implement and characterize our return. Some favor announcing a return to normal participation now, while others favor putting our return on a selective basis, stating that we are keeping all our options open for the indefinite future. There is also disagreement on when to pay our remaining 1982 and our 1983 contributions, with some agencies favoring payment earlier than others.

RECOMMENDATION

That you approve a US return to participation in IAEA activities (favored by all IG participants).

Approve _____

Disapprove _____

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ANALYSIS OF OPTIONS

One issue to be decided is how to characterize that return. Another issue is when to pay our remaining 1982 and our 1983 contributions.

A. Normal Participation

Our announcement would state that the US has decided to resume participation in IAEA activities, noting that it will as a practical matter take several months to resume the level of participation similar to the level preceding September 26.

Pros:

- permit us to begin working from within;
- conveys a positive US attitude toward resolving the problems in the IAEA;
- reduce criticism that US is politicizing the IAEA;
- decrease chance of provoking challenges by radicals just to embarrass the US; and
- responds positively to urgings of our allies and the Secretariat.

Cons:

- may create the impression that all US concerns have been satisfied;
- may reduce our leverage to counter objectionable actions in the future; and

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- does not send signal that US will be selective after its return, making distinctions between friends and adversaries.

B. Selective Participation

Our announcement would state that the US has decided to resume participation in IAEA activities in a selective manner. This means that we would participate in some activities but not in others based on criteria to be decided. A return to normal participation would not be expected to be reached for an unspecified period (presumably not before the 1983 General Conference in October) during which we would constantly assess progress in achieving our objectives. Lack of progress might delay our complete return even longer.

Pros:

- emphasize that the U.S. is not yet satisfied with the situation in the IAEA;
- stimulate the friends of the IAEA to prevail on the rest of the members to keep politicization within tolerable limits;
- permit some discrimination in programs, bilateral as well as multilateral, we would support.

Cons:

- opens us to criticism of politicizing the IAEA;
- opens us to criticism that we only support those activities (safeguards, safety) of interest to us;
- may stimulate further challenges to Israel or South Africa to test our resolve.

Recommendation

That you, approve Option A, favored by _____,

- Approve _____ Disapprove _____

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Alternatively

That you approve, Option B favored by _____,

Approve _____ Disapprove _____

C. Pay Remaining 1982 Contribution in Early 83

For 1982, the US owes approximately 8.5 million dollars of its assessed contribution of _____ and approximately \$300,000 of its voluntary contribution of _____. The 1983 assessed and voluntary contributions would not be paid in any event until the last quarter of 1983 pursuant to the Administration's budget policy of deferring contributions to Interantional Organizations. These monies would be paid upon or shortly after our resumption announcement, if permitted by U.S. statutory restrictions. The Continuing Resolution enacted on December 21, 1982 precludes payment of funds to the IAEA unless the IAEA Board of Governors certifies to the U.S.G. that Israel is allowed to participate fully as a member in Agency activities. We are separately reviewing the impact of this restriction and how to deal with it.

Pros:

- signal our good faith in returning to normal participation as soon as practicable;
- reduce opportunity to be criticized over our late payment (due by December 31, 1981)
- our withholding these funds makes no difference to Agency solvency so there is little leverage.
- If the US need succeeds in getting the certification about Israel at the February Board, early payment would indicate US good faith.

Cons:

- signal that we were back to business-as-usual;
- lose whatever leverage we might have gained by withholding our financial contribution for a longer period.

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D. Deferring our remaining 1982 contributions.

We would not pay our remaining contributions (\$8.5 million assessed and \$3 million voluntary) until late 1983 or in any case after the October IAEA General Conference.

Pros:

- . makes clear that all the U.S. concerns have not yet been resolved;
- . demonstrates we are willing to deny or delay our financial contributions to international organizations that violate their statutes.
- . provides some, if perhaps limited, leverage to the US to persuade the members of the need to reduce controversy if the US is going to continue to participate.

Cons:

- . encourages charges that the US is trying to coerce the membership to follow the dictates of the Agency's major financial contributor;
- . deferral would have no actual impact on Agency programs because it will not experience shortages due to US non-payment until late 1983;
- . could be interpreted perhaps as undercutting our decision to resume participation.
- . If US successfully obtains a Board certification regarding Israel's participation in IAEA, failure to pay the US 1982 contributions would be seen as US bad faith.

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E. Deferring our 1983 assessed contribution

In line with the recent US decision to defer all assessed contributions to UN agencies until late in the calendar year on which they are pledged, the \$_____ for 1983 would not be paid until after the October General Conference in any case. Regarding paying the 1983 voluntary contribution, the IG recommends that we fund our in-kind contributions (support for US laboratories and other expenditures incurred in the US) to the extent consistent with US law. Otherwise, US support for safeguards programs and activities would be seriously disrupted, causing immediate, and severe reductions in our laboratories. This would not be in the best interest of the United States. Funding for the voluntary cash portion of our 1983 contribution must be deferred because of lack of funds in the present Continuing Resolution. Since we have committed ourselves to providing a certain amount of funding (4.75 million dollars), we would have to find a way of funding it before the end of 1983.

RECOMMENDATION

Approve, supported by _____, option C to pay our remaining 1982 obligations upon or shortly after our announcement to resume participation, if statutorily possible.

Approve _____

Disapprove _____

Alternatively

Approve, supported by _____, option D to defer final 1982 payments until late in 1983.

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